

Public Meeting

Utah Committee of Consumer Services

Utah Department of Commerce

April 11, 2007

Administrative Matters

Dee Jay Hammon

Public Comment

Budget Update

Michele Beck

Contract Amendments

Kevin Hale

Update: CO₂ Case

Paul Proctor

Update: GSS/EAC Tariff

Paul Proctor

Hearings

- Hearing on the merits of the Company's October 6, 2006 application occurred on February 8, 2007.
- The Division, the Committee, the Company, multiple rural communities and customers, and one party in opposition, filed testimony, position statements, and participated at the hearing.

Hearings

- Hearing on the February 14, 2007 stipulated resolution of the GSS/EAC issue occurred on March 27, 2007.
- The Division, the Committee, the Company, and multiple rural communities and customers, filed testimony and position statements in support of the resolution.
- One party filed testimony and a position statement in opposition.

Development of the Record

- At both hearings, the Commission asked clarifying questions and allowed cross examination.
- Four witnesses testified at the March 27, 2007 public hearing.
- On April 2, 2007 the Commission deemed that the single opponent's oral presentation at the March hearing is argument, not substantive evidence for the purpose of its decision.

Next Steps

- Hearings have been held both on the merits of the application as well as the stipulated resolution.
- The report and order is expected to be a final order on the issue of past and future expansion area tariffs.
- There is no statutory timeline for the Commission's decision. However, we believe that the Commission understands the need for a certain conclusion to the issues.

2007 Legislative Session Wrap-Up

Chris Keyser

Energy Bills - Passed

- HB0243 (Barrus) Energy Policy Amendments (effective 4/30/07)
- HB0351 (Barrus) Revolving Loan Fund for Certain Energy Efficient Projects (effective 4/30/2007)

Public Utilities Bills - Passed

- HB0120S01 (Tilton) Utility Facility Review Board—effective 4/30/2007
- SB0013S03 (Stephenson) Tax Credits for Alternate Power Generation. Bill was rolled into SB223—effective 1/1/2007
- SB0235 (Bell) Public Utilities Amendments—effective 3/14/2007

Telephone Bills - Passed

- HB0119S01 (Dee) Emergency Communication Funding—effective 7/1/2007

Energy and PU Bills - Not Passed

- HB0436 (Hughes) Municipal Energy Sales and Use Tax Revisions
- HB0269 (Snow) Committee of Consumer Services Membership Amendments
- HJR002 (Becker) Resolution Supporting Energy Efficiency

Resource Planning, Acquisition, and Cost Allocation: The IRP/RFP/MSP Nexus

Nancy Kelly

Introduction

- Resource acquisition issues will be a significant driver of future customer rates
 - Important to address these issues in other forums to pre-empt problems, rather than waiting for a rate case
- Stakeholders will have many difficult issues to address

Presentation Outline

- PacifiCorp System Overview
- Definitions: IRP, RFP, MSP
- Explanation of Processes: IRP, RFP, MSP
- Current Status: IRP, RFP, MSP
- What's Next?

Resource Planning, Acquisition, and Cost Allocation

PacifiCorp System Overview

PacifiCorp System

- Service territory in Utah, Wyoming, Idaho, Oregon, Washington, California
 - Subject to jurisdiction of six state commissions
 - Also subject to federal oversight (FERC)
- Generation located in eight states
- Significant transmission assets
 - Firm transmission associated with generation assets
 - On a nonfirm basis, transmission extends from Canada to Colorado, the desert southwest, and southern CA

PacifiCorp System

- Operates Two Control Areas (Result of 1989 merger of UPL and PPL)
 - East (including Utah) is summer peaking
 - West is winter peaking, but developing a strong secondary summer peak
 - The two areas share resources, reducing total capacity needs by 600 MW
 - Overall system peak switched from winter to summer in late 1990s

PacifiCorp System

- From 1989 until 2000 PacifiCorp had surplus capacity and energy
 - Summer peak shortage appeared in early to mid-90s
 - Overall system became short when PC sold its share of the Centralia coal plant and mine in May of 2000
- PacifiCorp is facing a prolonged acquisition cycle
 - Contracts are expiring
 - Load is growing
 - Surplus in Western Interconnection is disappearing so the short-term market cannot be relied upon

PacifiCorp System

- PC must address its resource needs in a cost effective manner
- Must balance many risks and uncertainties
 - Climate change policy
 - Gas price risk
 - Wholesale electricity market risk
 - Load growth
- Aspires to full cost recovery (future rate case)
- Resource acquisition addressed in three ongoing processes: IRP, RFP, MSP

Resource Planning, Acquisition, and Cost Allocation

Definitions

Definitions

- Integrated Resource Planning (IRP): the process for determining the optimal size, type, and timing of new resources
- Request for Proposal (RFP): the process for acquiring the resources identified by the IRP
- Multistate Process (MSP): PacifiCorp's process for addressing issues with interjurisdictional cost allocation implications

Resource Planning, Acquisition, and Cost Allocation

Explanations and Processes

Integrated Resource Planning

- Integrated resource planning uses modeling to examine which combination of resources best meets system needs
- Resource options PacifiCorp is considering include
 - Demand side management
 - Wind
 - Purchases
 - Natural gas resources
 - Pulverized coal resources
 - Integrated Gasification Combined Cycle (IGCC)
- Risk analysis determines whether potential plans are robust across many possible future scenarios

IRP Process

- 1992 IRP Standards and Guidelines (Acknowledgement Process)
- PacifiCorp Public Input Process
- IRP Draft
- Comments to Company
- IRP Final Report
- Comments to Commission
- Possible Technical Conference(s) or Hearing
- Acknowledgement Order

Resource Procurement

- Utah Senate Bill 26 (2005 session)
 - Requires an RFP process for additions of 100 MW or larger with a term of 10 years or longer
 - Provides for preapproval of selected resources
 - Requires an independent evaluator
- 2007 session amended this process
 - Provides exemption from RFP in emergency or “time limited” commercial opportunities
 - With exemption, prudence is determined in next rate case (no preapproval)

RFP Process

- Submit RFP for Commission approval
 - Comment and/or hearing process
 - Commission approves the resource size, type and timing, contract structures and evaluation process
- Issue RFP
 - Develop short list
 - Select finalists
 - Request approval of final selection
- Hearing process
- Approval order

Cost Allocation

- Determination of each state's share of utility costs
- Principle of Cost Causation (fair and efficient)
 - Costs incurred for customers of a single jurisdiction are directly assigned (situs)
 - Joint costs are proportioned by relative use (Rolled-in)
- Allocation methods may deviate from Rolled-in to achieve other purposes
- Utah's rationale for accepting Revised Protocol
 - Maintain benefits of integrated resource planning
 - Cost of Utah's load growth to others uncertain at time of decision
 - Revised Protocol to provide benefits in later years

Multistate Process (MSP)

- Revised Protocol Process Provisions
 - Standing Neutral (facilitator)
 - Standing Committee
 - Comprised of one staff member from each of the four state Commissions that ordered the use of the revised protocol allocation method
 - Can form workgroups to study issues and make recommendations to Standing Committee
 - Annual Commissioners Meeting

Multistate Workgroups

- Load Growth Workgroup (2005)
 - Conducted second load growth study
 - Developed Structural Protection Mechanisms
- Hybrid Workgroup (2005)
 - Completed development of a Hybrid Allocation methodology to be used by Oregon as a comparator
- Resource Choice Workgroup (June 2006-ongoing)
 - Address Renewable Portfolio Standard (RPS) implementation
 - Develop a fixed allocation methodology for new resources (Utah voted against this activity)

Resource Planning, Acquisition, and Cost Allocation

Current Status

Current Status: IRP

- Preliminary results provided fall 2006, but Draft Report delayed indefinitely pending conclusion of RFP processes and legislative activity
- Additional results released February 2007
- Utah parties worked together to review results and develop a joint data request (awaiting response)
- Next public input meeting April 18
- Draft report expected April 20 (five month delay)
- Final report expected end of May

Current Status: IRP Analysis

- Preliminary observations of modeling results
 - Adding additional wind over the amount included in most portfolios reduces risk
 - Under medium electricity and gas prices, pulverized coal additions are squeezed out as carbon tax rises
 - With high electricity and gas prices and a high carbon tax, pulverized coal is added in significant amounts
 - Replacing short-term market purchases with firm resources reduces total risk exposure
 - Reducing the planning reserve margin from 15% to 12% raises total risk exposure

Current Status RFP

- Utah
 - Commission issued suggested modifications December 2006
 - PacifiCorp revised RFP to comply with suggestions
 - Commission approved RFP April 5
- Oregon
 - Commission issued order in January declining approval on the grounds that PacifiCorp had not demonstrated the need for the size, type or timing of the solicitation
 - Order did not deny the Company cost recovery
 - PacifiCorp did not refile in Oregon

Current Status RFP

- Final RFP
 - Delays the two 2013 self-build options to 2014
 - Issued April 5, 2007
 - Responses from potential developers due June 19, 2007
 - Shortlist evaluation complete August 2007
 - Final selection January 2008
 - Utah approval process complete July 2008

Current Status: MSP

- Commissioners Meeting (March 7, 2007)
 - Requested by Wyoming Commissioners
 - Purpose
 - Discuss implications of conflicting UT and OR RFP orders;
 - Provide direction to Resource Choice Workgroup
 - Outcome
 - Emphasis on RPS implementation
 - Neither Utah nor Oregon Commissioners expressed interest in developing alternative allocation methods
 - Technical analysis was requested from PacifiCorp

Current Status: MSP

- Resource Choice Workgroup Activity
 - Face-to-face meeting held March 8 following the Commissioners meeting
 - Developed action items from Commissioners meeting and next steps in addressing RPS implementation
 - Parties and staffs agreed to provide input by March 22
 - Utah parties met March 20 and submitted joint comments May 23
 - Conference call held April 2
 - Next two conference calls scheduled: May 4 and 22

Resource Planning, Acquisition, and Cost Allocation

What's Next?

What's Next?

- IRP (April 2007—August 2007)
 - Review draft and final reports
 - Provide comments to Company and Commission
 - Participate in technical conferences and/or hearing
- RFP (August 2007—July 2008)
 - Review shortlist and supporting analysis; provide comment in appropriate forum
 - Review final selection and supporting analysis
 - Participate in hearing process

What's Next?

- MSP (Ongoing)
 - Develop RPS implementation that fairly allocates Renewable Energy Certificates (RECs) from IRP identified resources
 - Develop method for allocating resource costs and RECS when one or more state's RPS requires more renewables than identified in IRP
 - Address possible suboptimality of system planning caused by RPS
- Staff will continue to closely monitor these developing issues and bring the Committee regular updates

Resource Planning, Acquisition, and Cost Allocation

Questions

Other Business/Adjourn
